



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: September 16, 2008
TO: Mayor and Councilmembers
FROM: Human Resources, Administrative Services Department
SUBJECT: Approval Of Benefit Plans Effective January 1, 2009

RECOMMENDATION: That Council:

- A. Approve renewal of the Aetna and Kaiser Permanente medical plans; Delta Dental Plans; Vision Service Plan; Employee Assistance Program (EAP); Flexible Spending Accounts; Hartford Life and Disability Insurance Plans; Allstate Voluntary Disability Plans; and Aliquant for benefits administration services; and
- B. Authorize the Administrative Services Director to execute any necessary contracts or amendments to agreements or contracts.

DISCUSSION:

Each year the City obtains renewal rates for the benefit plans covering its eligible active and retired employees. These benefit plans include medical, dental, vision, Employee Assistance Program, Health Care and Dependent Care Flexible Spending Accounts, life insurance, and disability insurance programs. Staff coordinated the renewal process with the City's benefits broker, ABD Insurance and Financial Services. The Employee Benefits Committee, which has a representative from each of the City's employee groups, reviewed the renewals. Staff and the Employee Benefits Committee recommend that the City renew its agreements with all current health, life and disability plan providers.

Medical Plans

The City currently has contracts with Aetna and Kaiser (available to Ventura County residents only) to provide medical coverage to its employees and retirees. A Health Maintenance Organization (HMO) plan is offered by both carriers. In addition, Aetna offers a Preferred Provider Organization (PPO), the Aetna HealthFund - Health Reimbursement Account (a consumer driven high deductible PPO plan with a personal care account) and the Aetna HealthFund - Health Savings Account (an IRS qualifying high deductible PPO plan with a portable savings account funded through federal pre-tax payroll contributions).

Renewal rates for eligible employees and retirees under age 65 were based on the claims experience of the pooled members. There are no recommended benefit changes to the Aetna and Kaiser medical plans. Final proposed overall rate increases are 10.8% for the Aetna HMO; 6.1% for the Aetna PPO, the Aetna HealthFund - Health Reimbursement Account and the Aetna HealthFund Health Savings Account, and 4.8% for the Kaiser Permanente HMO.

Over-age-65 retirees are enrolled in the Aetna PPO, Aetna Medicare Open Plan and Kaiser Permanente.

Medicare-eligible retirees enrolled in the Aetna PPO and the Kaiser plans have a supplemental level of coverage after Medicare benefits are paid. Final proposed overall rate increases are 16.6% for the Aetna PPO and .9% for the Kaiser Permanente HMO.

Medicare-eligible retirees enrolled in the Aetna Medicare Open Plan have coverage availability nationwide through providers that accept Medicare assignment and Aetna terms and conditions. The Aetna Medicare Open Plan provides coverage for all Medicare Parts A and B covered benefits plus additional benefits not covered by Medicare, such as hearing aids, eyewear allowances and an open formulary prescription drug program. The premium rates for the Aetna Medicare Open Plan are based on the county where the retiree resides. There are currently 58 over-age-65 retirees enrolled in the Aetna Medicare Open Plan of which 50 reside in Santa Barbara County. Additional county rates will be provided as needed.

Proposed 2009 monthly rates for Aetna HMO, Aetna PPO, Aetna Health Reimbursement Account, Aetna Health Savings Account, and Kaiser Permanente for employees and retirees are listed in Attachment 1. Proposed 2009 monthly rates for the Aetna Medicare Open Plan are listed in Attachment 2 and are based on the county where the retiree resides.

Dental Plans

The current dental plan offerings include the Delta Dental DPO plan (similar to a medical PPO model plan with a large provider network), and the Delta Dental DMO plan (similar to a medical HMO model plan with a smaller provider network).

The 2009 renewal for Delta Dental DPO is a 3.8% increase. The Delta Dental DMO plan was implemented in 2008 with a two-year rate guarantee for no premium rate change for 2009.

Vision Plan

The Vision Service Plan (VSP) renewal for 2009 includes an allowance increase to frames and elected contact lenses from \$120 to \$130, with no change to the premium rates. Further, the 2009 renewal includes a rate guarantee for 3 years for no change to the current 2008 premium rates through 2011.

Employee Assistance Program (EAP)

OptumHealth Behavioral Solutions, formerly United Behavioral Health, provides outpatient psychological services for the City's Employee Assistance Program. The renewal for 2009 includes no change to the premium rate for the fourth consecutive year.

Flexible Spending Accounts

The Health Care and Dependent Care Flexible Spending Accounts are administered by Conexis. The 2009 renewal fees have an overall increase of 4% to the participant administration fees.

Life and AD&D Insurance – Employer Paid Plan

The Hartford Insurance Company life insurance renewal includes no change to the current City paid premium rate for group Life and AD&D coverage.

Long Term Disability Insurance – Employer Paid Plan

The Hartford Long Term Disability Insurance Plan renewal includes a proposed increase to the maximum monthly benefit, from \$5,000 to \$12,000, with no change to the City paid premium rate. This increase will provide disability protection for all employees at fully 60% of base salary.

Short Term Disability – Employee Paid Optional Plan

The Hartford Short Term Disability Insurance renewal, an employee optional plan, includes increases to the maximum weekly benefit for Management, from \$475 to \$800; and for Supervisors, from \$350 to \$700, with no change to the premium rates. The Police group renewal includes both an increase to the maximum weekly benefit, from \$350 to \$700, and to the maximum benefit duration, from 9 to 12 weeks, for an increase of 16% to the employee paid premium rate. This proposed change has the concurrence from the Police group.

Allstate will maintain the current employee paid individual policy rates for the Management voluntary disability programs.

Dental, Vision and Employee Assistance Plan

The proposed 2009 monthly premium rates for Delta Dental plans, VSP, EAP, Flexible Spending Accounts, and Hartford life and disability insurance plans are listed in Attachment 3.

Summary

Staff and the Employee Benefits Committee recommend that the Aetna and Kaiser medical plans be continued at the 2009 proposed rates listed in Attachment 1 and 2. Delta Dental, VSP, EAP, Flexible Spending Accounts, and Hartford life and disability insurance plans are recommended for approval at the proposed rates listed in Attachment 3. Staff further recommends the authorization of the Administrative Services Director to execute any necessary 2009 contracts or amendments to contracts.

BUDGET/FINANCIAL INFORMATION:

The FY 2008-2009 Adopted Budget includes sufficient funds to cover the additional 2009 health plan costs.

ATTACHMENTS:

1. 2009 Medical Plans Monthly Premium Rates
2. 2009 Aetna Medicare Open Plan Monthly Premium Rates
3. 2009 Dental, Vision, Employee Assistance Program,
Flexible Spending Accounts, Disability and Life Insurance Plans
Monthly Premium Rates

PREPARED BY: Clare Turner, Benefits Analyst

SUBMITTED BY: Marcelo A. López, Administrative Services Director

APPROVED BY: City Administrator's Office

2009 Medical Plans Monthly Premium Rates

MEDICAL PLAN	CURRENT 2008	PROPOSED 2009
HMO – Aetna		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 447.34	\$ 495.10
Employee and One Dependent	\$ 882.96	\$ 978.21
Employee and Family	\$ 1,144.35	\$ 1,268.09
HMO – Kaiser Permanente		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 366.45	\$ 383.96
Employee and One Dependent	\$ 721.18	\$ 755.92
Employee and Family	\$ 934.03	\$ 979.10
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 209.82	\$ 211.70
Retiree and One Dependent	\$ 407.92	\$ 411.40
PPO – Aetna Open Access Managed Care Plan		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 511.29	\$ 542.54
Employee and One Dependent	\$ 1,029.54	\$ 1,092.92
Employee and Family	\$ 1,340.47	\$ 1,423.13
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 435.35	\$ 507.18
Retiree and One Dependent	\$ 855.95	\$ 998.68
<u>Non-Medicare Eligible Retirees</u>		
Retiree Only	\$ 511.29	\$ 542.54
Retiree and One Dependent	\$ 1,029.54	\$ 1,092.92
Health Reimbursement Arrangement – Aetna HRA		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 360.10	\$ 381.98
Employee and One Dependent	\$ 708.48	\$ 751.96
Employee and Family	\$ 917.51	\$ 973.95
Health Savings Account – Aetna HSA		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 308.89	\$ 327.59
Employee and One Dependent	\$ 606.06	\$ 643.19
Employee and Family	\$ 784.36	\$ 832.54

2009 Aetna Medicare Open Plan Monthly Premium Rates

All rates are on a per member per month basis

State	County	CURRENT 2008	PROPOSED 2009
Arizona	Cochise, Greenlee, Pima, Yavapai,	\$ 253.11	\$ 315.30
California	Santa Barbara	\$ 213.06	\$ 224.80
	Los Angeles, Orange	\$ 383.11	\$ 415.40
	Kern, Riverside, San Luis Obispo	\$ 343.56	\$ 334.20
	Butte, Colusa, Kings, Lake, Mariposa	\$ 305.36	\$ 334.20
	Madera, Tulare	\$ 194.61	\$ 224.80
	San Diego	\$ 308.61	\$ 334.20
Hawaii	Kauai	\$ 210.86	\$ 224.80
Oregon	Crook, Deschutes, Lake, Lincoln	\$ 274.06	\$ 315.30
Texas	Denton, Erath, Hood, Navarro, Tarrant	\$ 279.36	\$ 315.30
	Austin, Harris, Jasper, Jefferson	\$ 235.56	\$ 261.30

**2009 Monthly Premium Rates
Dental, Vision, Employee Assistance Program,
Flexible Spending Accounts, Disability and Life Insurance Plans**

PLAN	CURRENT 2008	PROPOSED 2009
Delta Dental		
<u>Delta Dental DPO Plan</u>		
Employee Only	\$ 48.93	\$ 50.81
Employee and One Dependent	\$ 86.59	\$ 89.92
Employee and Family	\$ 138.81	\$ 144.14
<u>Delta Dental HMO Plan</u>		
Employee Only	\$ 15.97	\$ 15.97
Employee and One Dependent	\$ 28.56	\$ 28.56
Employee and Family	\$ 42.26	\$ 42.26
Vision Service Plan		
Employee Only	\$ 6.73	\$ 6.73
Employee and One Dependent	\$ 13.26	\$ 13.26
Employee and Family	\$ 20.49	\$ 20.49
Employee Assistance Program		
Employee and Family	\$ 1.65	\$ 1.65
Flexible Spending Accounts Administration Costs (City Paid)		
Health Care Account/Participant/Month	\$ 4.25	\$ 4.43
Dependent Care Account/Participant/Month	\$ 4.25	\$ 4.43
Electronic Payment Card/Participant/Month	\$ 1.50	\$ 1.56
Grace Period Processing/Participant/Month	\$ 3.00	\$ 3.00
Long Term Disability Insurance – Hartford (City Paid)		
All Employees except Police and Fire	\$0.585/\$100	\$0.585/\$100
Short Term Disability Insurance – Hartford (Employee Voluntary)		
Managers	\$ 22.02	\$ 22.02
Supervisors	\$ 19.82	\$ 19.82
Police	\$ 14.61	\$ 16.95
Supplemental Employee, Spouse & Child Life Insurance – Hartford (Employee Voluntary)		
<u>Voluntary Employee and Spouse Life Insurance</u>	Rates/\$10,000	Rates/\$10,000
Up to and including age 29	\$ 0.68	\$ 0.68
Age 30-34	\$ 0.86	\$ 0.86
Age 35-39	\$ 1.24	\$ 1.24
Age 40-44	\$ 1.90	\$ 1.90
Age 45-49	\$ 3.14	\$ 3.14
Age 50-54	\$ 5.24	\$ 5.24
Age 55-59	\$ 8.46	\$ 8.46
Age 60-64	\$ 11.12	\$ 11.12
Age 65-69	\$ 17.48	\$ 17.48
Age 70-74	\$ 30.88	\$ 30.88
Age 75 and older	\$ 51.50	\$ 51.50
<u>Voluntary Child Life Insurance</u>		
\$2,000	\$ 0.33	\$ 0.33
\$5,000	\$ 0.55	\$ 0.55
\$10,000	\$ 0.89	\$ 0.89